

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF SPRINGPORT	County JACKSON
Audit Date 2/29/04	Opinion Date 6/28/04	Date Accountant Report Submitted to State: 8/6/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

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We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, and the report of comments and recommendations.

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) MARKOWSKI & COMPANY, CPAs			
Street Address 2880 SPRING ARBOR ROAD		City JACKSON	State MI
Accountant Signature <i>Markowski & Company</i>		ZIP 49203	

VILLAGE OF SPRINGPORT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004

VILLAGE OF SPRINGPORT

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MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTS
ESTATE PLANNING COUNCIL
OF SOUTH CENTRAL MICHIGAN

INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Springport

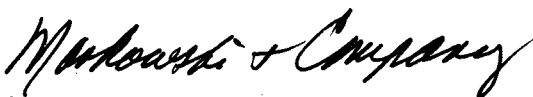
We have audited the accompanying general purpose financial statements of the **Village of Springport** as of and for the year ended February 29, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Springport's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Springport, as of February 29, 2004, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 28, 2004, on our consideration of the Village of Springport's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Springport, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purposes financial statements taken as a whole.



MARKOWSKI & COMPANY CPAs

June 28, 2004

VILLAGE OF SPRINGPORT
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
FEBRUARY 29, 2004

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 74,139	\$ 174,488	\$ 5,181
Accounts receivable	11,539	4,870	-
Taxes receivable	8,706	652	-
Due from other funds	58,583	684	-
Total current assets	152,967	180,694	5,181
PROPERTY AND EQUIPMENT - (Net of accumulated depreciation)	-	-	-
OTHER ASSETS	-	-	-
Total assets	<u>\$ 152,967</u>	<u>\$ 180,694</u>	<u>\$ 5,181</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 4,058	\$ 1,009	\$ -
Accrued payroll	784	316	-
Due to other funds	-	1,434	-
Accrued interest	-	-	-
Notes payable - Capital lease	-	-	-
Revenue Bonds - Due within one year	-	-	-
Total current liabilities	4,842	2,759	-
LONG-TERM LIABILITIES			
Bonds - Due after one year	-	-	-
Notes payable	-	-	-
Total long-term liabilities	-	-	-
Total liabilities	4,842	2,759	-
FUND EQUITY			
INVESTMENT IN GENERAL FIXED ASSETS	-	-	-
RETAINED EARNINGS			
Unreserved	-	-	-
FUND BALANCE - Unreserved/Undesignated	148,125	177,935	5,181
Total fund equity	148,125	177,935	5,181
Total liabilities and fund equity	<u>\$ 152,967</u>	<u>\$ 180,694</u>	<u>\$ 5,181</u>

The accompanying notes are an integral part of the financial statements.

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	
\$ 41,782	\$ 6,161	\$ 6,996	\$ -	\$ 308,747
30,124	-	-	-	46,533
4,797	-	-	-	14,155
11,675	59	2,507	-	73,508
88,378	6,220	9,503	-	442,943
1,856,378	66,790	-	305,153	2,228,321
24,952	-	-	-	24,952
\$ 1,969,708	\$ 73,010	\$ 9,503	\$ 305,153	\$ 2,696,216
\$ 244,956	\$ 1,150	\$ 446	\$ -	\$ 251,619
859	276	-	-	2,235
57,251	5,766	9,057	-	73,508
9,604	-	-	-	9,604
-	10,389	-	-	10,389
48,138	-	-	-	48,138
360,808	17,581	9,503	-	395,493
695,274	-	-	-	695,274
-	18,158	-	-	18,158
695,274	18,158	-	-	713,432
1,056,082	35,739	9,503	-	1,108,925
-	-	-	305,153	305,153
913,626	37,271	-	-	950,897
-	-	-	-	331,241
913,626	37,271	-	305,153	1,587,291
\$ 1,969,708	\$ 73,010	\$ 9,503	\$ 305,153	\$ 2,696,216

VILLAGE OF SPRINGPORT
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
YEAR ENDED FEBRUARY 29, 2004

	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	TOTAL (MEMORANDUM ONLY)
REVENUES:				
Taxes	\$ 87,644	\$ 6,522	\$ -	\$ 94,166
State shared revenues	93,052	46,709	-	139,761
Other	8,442	1,392	5	9,839
Grave openings and lot sales	-	8,285	-	8,285
Total revenues	<u>189,138</u>	<u>62,908</u>	<u>5</u>	<u>252,051</u>
EXPENDITURES:				
Current:				
Legislative	8,902	-	-	8,902
General Government	99,522	-	-	99,522
Public Safety	20,521	-	-	20,521
Public Works	10,517	-	-	10,517
Community and Economic Development	190	58,427	-	58,617
Other	18,429	-	4	18,433
Total expenditures	<u>158,081</u>	<u>58,427</u>	<u>4</u>	<u>216,512</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>31,057</u>	<u>4,481</u>	<u>1</u>	<u>35,539</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	10,322	1,000	11,322
Operating transfers (out)	(11,000)	(322)	-	(11,322)
Total other financing sources (uses)	<u>(11,000)</u>	<u>10,000</u>	<u>1,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER (USES)	<u>20,057</u>	<u>14,481</u>	<u>1,001</u>	<u>35,539</u>
FUND BALANCE - Beginning of year	<u>128,068</u>	<u>163,454</u>	<u>4,180</u>	<u>295,702</u>
FUND BALANCE - End of year	<u><u>\$ 148,125</u></u>	<u><u>\$ 177,935</u></u>	<u><u>\$ 5,181</u></u>	<u><u>\$ 331,241</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF SPRINGPORT
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES
YEAR ENDED FEBRUARY 29, 2004

	GENERAL FUND		
	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Taxes	\$ 80,081	\$ 87,644	\$ 7,563
State shared revenues	94,236	93,052	(1,184)
Other	7,808	8,442	634
Grave openings and lot sales	-	-	-
Total revenues	<u>182,125</u>	<u>189,138</u>	<u>7,013</u>
EXPENDITURES:			
Current:			
Legislative	8,861	8,902	(41)
General Government	121,961	99,522	22,439
Public Safety	18,475	20,521	(2,046)
Public Works	9,697	10,517	(820)
Community and Economic Development	190	190	-
Other	11,941	18,429	(6,488)
Total expenditures	<u>171,125</u>	<u>158,081</u>	<u>13,044</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>11,000</u>	<u>31,057</u>	<u>20,057</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers (out)	(11,000)	(11,000)	-
Total other financing sources (uses)	<u>(11,000)</u>	<u>(11,000)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER (USES)	-	20,057	20,057
FUND BALANCE - Beginning of year	<u>128,068</u>	<u>128,068</u>	-
FUND BALANCE - End of year	<u>\$ 128,068</u>	<u>\$ 148,125</u>	<u>\$ 20,057</u>

The accompanying notes are an integral part of the financial statements

SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND			TOTALS (MEMORANDUM ONLY)
AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	
\$ 5,875	\$ 6,522	\$ 647	\$ -	\$ -	\$ -	\$ 94,166
50,234	46,709	(3,525)	-	-	-	139,761
1,180	1,392	212	5	5	-	9,839
8,285	8,285	-	-	-	-	8,285
65,574	62,908	(2,666)	5	5	-	252,051
-	-	-	-	-	-	8,902
-	-	-	-	-	-	8,686
-	-	-	-	-	-	15,972
-	-	-	-	-	-	9,126
57,650	58,427	(777)	-	-	-	124,165
-	-	-	5	4	1	49,661
57,650	58,427	(777)	5	4	1	216,512
7,924	4,481	(3,443)	-	1	1	35,539
10,322	10,322	-	1,000	1,000	-	11,322
(322)	(322)	-	-	-	-	(11,322)
10,000	10,000	-	1,000	1,000	-	-
17,924	14,481	(3,443)	1,000	1,001	1	35,539
163,454	163,454	-	4,180	4,180	-	295,702
<u>\$ 181,378</u>	<u>\$ 177,935</u>	<u>\$ (3,443)</u>	<u>\$ 5,180</u>	<u>\$ 5,181</u>	<u>\$ 1</u>	<u>\$ 331,241</u>

VILLAGE OF SPRINGPORT
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN RETAINED EARNINGS - ALL PROPRIETARY FUNDS
YEAR ENDED FEBRUARY 29, 2004

	ENTERPRISE	INTERNAL SERVICE	TOTAL (MEMORANDUM ONLY)
OPERATING RECEIPTS:			
Monthly billings	\$ 238,512	\$ -	\$ 238,512
Charges for services	-	61,314	61,314
Interest and penalties	3,501	-	3,501
Connection fees	40	-	40
Total operating receipts	<u>242,053</u>	<u>61,314</u>	<u>303,367</u>
OPERATING EXPENDITURES:			
Administration	21,348	-	21,348
Operation and maintenance	<u>220,162</u>	<u>67,523</u>	<u>287,685</u>
Total operating expenditures	<u>241,510</u>	<u>67,523</u>	<u>309,033</u>
OPERATING INCOME (LOSS)	<u>543</u>	<u>(6,209)</u>	<u>(5,666)</u>
NON-OPERATING REVENUES (EXPENSES):			
Tax assessments	47,967	-	47,967
Interest on investments	158	12	170
Interest on bonds	(26,215)	-	(26,215)
Other	<u>2,697</u>	<u>2,549</u>	<u>5,246</u>
Total non-operating revenues (expenses)	<u>24,607</u>	<u>2,561</u>	<u>27,168</u>
NET INCOME (LOSS)	<u>25,150</u>	<u>(3,648)</u>	<u>21,502</u>
RETAINED EARNINGS - Beginning of year	<u>888,476</u>	<u>40,919</u>	<u>929,395</u>
RETAINED EARNINGS - End of year	<u><u>\$ 913,626</u></u>	<u><u>\$ 37,271</u></u>	<u><u>\$ 950,897</u></u>

The accompanying notes are an integral part of the financial statements

VILLAGE OF SPRINGPORT
PROPRIETARY FUND TYPES
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 29, 2004

	ENTERPRISE	INTERNAL SERVICE	TOTAL (MEMORANDUM ONLY)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 543	\$ (6,209)	\$ (5,666)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	51,987	26,495	78,482
Changes in assets and liabilities:			
(Increase)/Decrease in:			
Accounts/Taxes receivable	(4,719)	-	(4,719)
Due from other funds	1,554	-	1,554
(Decrease)/Increase in:			
Accounts payable	198,986	(749)	198,237
Accrued interest payable	(760)	-	(760)
Accrued expenses	(1,422)	-	(1,422)
Due to other funds	37,155	(3,363)	33,792
Total adjustments	282,781	22,383	305,164
Net cash provided by operating activities	283,324	16,174	299,498
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal and interest paid on long-term debt	(253,669)	(14,530)	(268,199)
Collection of tax assessments	47,967	-	47,967
Other income	3,444	2,549	5,993
Capital acquisitions	(83,352)	-	(83,352)
Net cash (used by) capital and related financing activities	(285,610)	(11,981)	(297,591)
CASH FLOWS FROM INVESTING ACTIVITIES -			
Interest on investments	158	12	170
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,128)	4,205	2,077
CASH AND CASH EQUIVALENTS - Beginning of year	43,910	1,956	45,866
CASH AND CASH EQUIVALENTS - End of year	\$ 41,782	\$ 6,161	\$ 47,943

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

VILLAGE OF SPRINGPORT

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VILLAGE OF SPRINGPORT
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. Reporting Entity:

Springport Village, formerly Oyer's Corner, was organized in 1882 and is located in the northwest corner of Jackson County. The Village operates under an elected Board of Trustees and Officers and provides services to its more than 700 residents in many areas, including water and sewer operations, community enrichment and development, and human services.

The accounting policies of the Village conform to accounting principles generally accepted in the United States of America. This note describes the more significant accounting policies of the Village.

As required by generally accepted accounting principles, the financial statements of the Village of Springport include its primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. On this basis, accordingly, the financial statements of certain other governmental organizations within the Village, such as the school district, are not included in the financial statements of the Village.

2. Measurement Focus, Basis of Accounting, and Basis of Presentation:

The financial records of the Village are organized and operated using funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting separates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum numbers of funds are maintained consistent with legal and managerial requirements.

Account Groups are a reporting device used to account for certain assets and liabilities of governmental funds not directly recorded in those funds.

The Village has the following fund types and account groups:

Governmental funds are used to account for the Village's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are susceptible to accrual (i.e. when they are "measurable and available"). Measurable means the amount of the transaction can be determined; available means they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village considers all revenues available if they are collected within 60 days after year end (90 days is used for property taxes).

Property taxes, state shared revenues, and interest, are considered to be susceptible to accrual by the Village. Expenditure driven (reimbursement type) grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Other receipts become measurable and available when the cash is received by the Village, and are recognized as revenue at that time.

VILLAGE OF SPRINGPORT
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

2. Measurement Focus, Basis of Accounting, and Basis of Presentation: (Continued)

Expenditures are recorded when the related liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The Village's Governmental funds include the following fund types:

The *General fund* is the Village's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The *capital projects fund* is used to account for the acquisition or construction of major capital facilities other than those financed by proprietary fund operations and special assessments.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. The Village applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations. Proprietary funds include the following fund types:

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business, or where the Council has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

Internal service funds account for operations that provide services to other departments or agencies of the Village, or to other governments, on a cost reimbursement basis. In the case of the Village's internal service fund, the Motor Pool fund, the equipment rental rates determined by the Michigan Department of Transportation are used to recover the costs of purchasing, operating and maintaining vehicles and equipment.

Fiduciary funds account for assets held by the Village in a trustee's capacity, or as an agent on behalf of others. Trust funds account for assets held by the Village under the terms of a trust agreement.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the cash basis of accounting. These funds are used to account for assets that the Village holds for others in an agency capacity.

Account groups – The general fixed assets account group is used to account for fixed assets not accounted for in the proprietary funds. The general long-term account group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

VILLAGE OF SPRINGPORT
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2004

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

3. Budgets and Budgetary Accounting:

Formal budgetary integration is employed as a management control device during the year for the General Fund, certain Special Revenue Funds, and the Capital Projects Fund. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budget amounts included in the financial statements are as originally adopted, or as amended by the appropriate governing board.

4. Investments:

All investments of the Village are carried at cost. For financial statement presentation investments consist of certificates of deposit in excess of 90 days to maturity.

5. Receivables:

The Village of Springport records various receivables, which are listed and described as follows:

- A. Taxes - The amount shown in the General Operating Fund represents the Village's portion of delinquent property taxes received within 90 days of year end.
- B. State Shared Revenue – The amounts recorded represent state shared revenues allocated to the Village as of February 29 and received within 60 days of year end.
- C. Accounts - The amounts recorded as accounts receivable in the Enterprise Fund represents charges for services, which have been billed but not received.

6. Fixed Assets:

All fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the fund, which financed the acquisition and are capitalized in the general fixed assets account group. This account group is not a fund. It is concerned only with the measurement of financial position and is not involved with the measurement of results of operations.

Depreciation of all fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the useful estimated lives using the straight-line method. The estimated useful lives are as follows:

Land improvement, water, and waste water costs	24 to 50 years
Equipment and vehicles	7 to 24 years

See Note E for a more detailed presentation of fixed assets.

VILLAGE OF SPRINGPORT
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

7. Reserves and Designations:

Portions of fund equity are segregated for future use, and are therefore not considered available for future appropriation or expenditure. Amounts reserved represent portions of fund equity which are required to be segregated in accordance with Village ordinances or generally accepted accounting principles. Designations of unreserved fund equity in the governmental funds indicate Village management's tentative plans for use of financial resources in a future period.

8. Interfund Transactions:

During the course of normal operations the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services. The combined financial statements generally reflect such transactions as operating transfers.

The Internal Service Fund records charges for services to all Village departments and funds as operating revenue. All Village funds record these payments to the Internal Service Fund as operating expenditures or expenses.

9. Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

10. Total Columns on Combined Statements - Overview:

Total Columns on the Combined Statements - Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:

Public Act #621 of 1978, section 18, (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted to the functional or activity level by the governing board.

VILLAGE OF SPRINGPORT
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2004

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS: (Continued)

During the year ended February 29, 2004, the Village incurred expenditures in certain funds which were in excess of the amounts appropriated, as follows:

FUND	TOTAL APPROPRIATIONS	AMOUNT OF EXPENDITURES	AMOUNT IN EXCESS OF APPROPRIATION
General Fund -			
Village Council	\$ 8,861	\$ 8,902	\$ (41)
Clerk	15,902	15,972	(70)
Other	40,303	49,657	(9,354)
Special Revenue Funds -			
Major Street Fund -			
Payroll taxes	805	936	(131)
Repairs and maintenance	3,499	3,503	(4)
Insurance	35	505	(470)
Local Street Fund -			
Repairs and maintenance	1,860	2,021	(161)
Insurance	35	196	(161)
Cemetery operations -			
Insurance	30	127	(97)

NOTE C - CASH AND CASH EQUIVALENTS:

The Village Treasurer is authorized by state law and a resolution from the Board of Trustees to invest surplus funds as follows:

1. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a federally insured bank or credit union.

All deposits are in one financial institution located in Michigan. All deposits are in the name of the Village. A summary of deposits by type is as follows:

	CARRYING AMOUNT	BANK BALANCES
Insured FDIC - Cash	\$ 100,000	\$ 100,000
Uninsured, uncollateralized:		
Cash	208,747	191,986
	<u>\$ 308,747</u>	<u>\$ 291,986</u>

VILLAGE OF SPRINGPORT
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2004

NOTE D – INTERFUND RECEIVABLE/PAYABLE:

Certain short term advances between funds are recorded as Due To/Due From in the Village's financial statements. Details of these balances as of February 29, 2004 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
		Equipment	\$ 5,600
		Payroll	9,057
		Waste water disposal	43,926
General	<u>\$ 58,583</u>		<u>\$ 58,583</u>
Major street	<u>\$ 684</u>	Local street	<u>\$ 684</u>
Water supply system	<u>\$ 11,675</u>	Waste water disposal	<u>\$ 11,675</u>
Equipment	<u>\$ 59</u>	Water supply system	<u>\$ 59</u>
		Waste water disposal	617
		Water supply system	974
		Major street	491
		Local street	162
		Equipment	166
		Cemetery	97
Payroll	<u>\$ 2,507</u>		<u>\$ 2,507</u>

NOTE E - CHANGES IN GENERAL FIXED ASSETS:

A summary of changes in general fixed assets is as follows:

	BALANCE 03/01/03	ADDITIONS	DELETIONS	BALANCE 02/29/04
By asset category:				
Buildings & improvements	\$ 260,362	\$ -	\$ -	\$ 260,362
Equipment	44,791	-	-	44,791
Totals	<u>\$ 305,153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 305,153</u>

VILLAGE OF SPRINGPORT
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2004

NOTE E - CHANGES IN GENERAL FIXED ASSETS: (Continued)

A summary of proprietary fund type fixed assets at February 29, 2004, is as follows:

	<u>ENTERPRISE FUNDS</u>		<u>EQUIPMENT INTERNAL SERVICE FUND</u>	<u>DEPRECIABLE LIFE - YEARS</u>
	<u>WASTE WATER</u>	<u>WATER</u>		
Water and Sewer Mains	\$ 2,008,942	\$ 537,698	\$ -	24 to 50
Equipment and improvements	-	-	297,225	7 to 40
Total cost	2,008,942	537,698	297,225	
Less accumulated depreciation	(461,025)	(229,237)	(230,435)	
Net carrying amount	<u>\$ 1,547,917</u>	<u>\$ 308,461</u>	<u>\$ 66,790</u>	

NOTE F - CHANGES IN LONG-TERM DEBT:

WATER AND SEWER ENTERPRISE FUND:

The following is a summary of bond transactions of the Village for the year ended February 29, 2004:

	<u>REVENUE BONDS</u>
Bonds payable at March 1, 2003	\$ 800,549
Bond debt retired	(57,137)
Bonds payable at February 29, 2004	<u>\$ 743,412</u>

WATER AND SEWER ENTERPRISE FUND:

The bonds payable at February 29, 2004 are comprised of the following individual issues:

1) \$300,000 Waste Water Disposal System Bonds - Due in annual installments of \$25,000 through November 1, 2009; Interest at 5.9 percent through 7.15 percent.	\$ 140,000
2) \$689,687 Waste Water Disposal System Bonds - Due in annual installments of \$30,000 to \$45,000 through April 1, 2020; Interest at 2.5 percent	603,412
Total	<u>\$ 743,412</u>

VILLAGE OF SPRINGPORT
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2004

NOTE F - CHANGES IN LONG-TERM DEBT: (Continued)

EQUIPMENT INTERNAL SERVICE FUND:

Capital lease payable at March 1, 2003	\$ 43,078
Lease payments	(14,531)
Capital lease payable at February 29, 2004	<u>\$ 28,547</u>

The remaining annual requirements to maturity for principal and interest are as follows:

<u>Year Due</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 58,527	\$ 5,797
2005	59,161	23,199
2006	60,272	20,580
2007	57,827	17,915
2008	57,827	15,319
Thereafter	478,345	93,035
	<u>\$ 771,959</u>	<u>\$ 175,845</u>

NOTE G - PROPERTY TAXES:

Real and personal property taxes are levied on each July 1st on the property located in the Village as of the preceding December 31, the lien date. These taxes are due to the Village by the last day of the following September. Real property taxes not paid by this date are considered delinquent, and are sent over to Jackson County for collection. Delinquent real property taxes are paid to the Village by Jackson County, therefore the General Fund reflects as revenue the full amount of real taxes levied during the year. The personal property taxes are reflected as revenues in the year collected.

The Village's operating tax rate is currently 17.6954 mills and is distributed as follows:

General operation	10.8099
Cemetery	0.8243
Sewer - Debt Reduction	<u>6.0612</u>
	<u>17.6954</u>

The taxable value of real and personal property located in the Village was \$8,318,713.

VILLAGE OF SPRINGPORT
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2004

NOTE H - SEGMENT INFORMATION FOR ENTERPRISE FUNDS:

The Village maintains the Waste Water and the Water Supply as its only enterprise funds. Segment information for the year ended February 29, 2004 is as follows:

	WASTE WATER	WATER SUPPLY
Operating revenues	\$ 120,755	\$ 121,298
Depreciation expense	40,895	11,092
Operating income (loss)	(7,328)	7,871
Net income	17,533	7,597
Property and equipment (Net)	1,547,917	308,461
Total assets	1,609,102	360,606
Bonds payable	743,412	-
Total equity	791,447	122,179
Net working capital	(73,146)	(199,284)

NOTE I - SIMPLE IRA PLAN:

The Village contributes an amount equal to 2% of employee's wages to a Simple Individual Retirement Plan. This Plan was adopted by the Village in November 1998. For the year ended February 29, 2004 the Village's contribution was \$1,647.

NOTE J- SUBSEQUENT EVENTS:

The Village has received approval from the United States Department of Agriculture for a grant in the amount of \$2,289,000, and a loan in the amount of \$1,053,000. The proceeds will be used to renew the water system within the Village of Springport. The Village has incurred engineering and other costs related to this project. The total cost incurred to date is \$243,124, payment will be made when the grant monies are received. The receivable and liability for this project have not been accrued as of February 29, 2004 because the net effect on the Water Supply System Enterprise Fund would be zero.

GENERAL FUND

VILLAGE OF SPRINGPORT
GENERAL FUND
BALANCE SHEET
FEBRUARY 29, 2004

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 74,139
Accounts receivable - State shared revenue	9,721
Accounts receivable - Special assessments	1,818
Taxes receivable	8,706
Due from other funds	<u>58,583</u>

Total assets	<u><u>\$ 152,967</u></u>
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LIABILITIES AND FUND BALANCE

LIABILITIES:

Accounts payable	\$ 4,058
Accrued payroll	<u>784</u>
Total liabilities	<u>4,842</u>

FUND BALANCE -

Unreserved and undesignated	<u>148,125</u>
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Total liabilities and fund balance	<u><u>\$ 152,967</u></u>
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VILLAGE OF SPRINGPORT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 29, 2004

	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
TAXES:			
Current real property	\$ -	\$ 58,992	\$ -
Current personal property	-	26,557	-
Administration	-	1,443	-
Delinquent interest & penalties	-	652	-
Total	80,081	87,644	7,563
STATE SHARED REVENUES:			
Sales and use tax	-	93,052	-
Total	94,236	93,052	(1,184)
OTHER REVENUES:			
Interest on investments	-	100	-
Fire board rent	-	3,591	-
Miscellaneous	-	4,751	-
Total	7,808	8,442	634
Total revenues	182,125	189,138	7,013

VILLAGE OF SPRINGPORT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 29, 2004

	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
LEGISLATIVE:			
VILLAGE COUNCIL:			
Salaries and wages	-	4,800	-
Payroll taxes	-	414	-
Dues and schooling	-	833	-
Publishing, printing and postage	-	399	-
Insurance and bonds	-	2,456	-
Total legislative	8,861	8,902	(41)
GENERAL GOVERNMENT:			
VILLAGE MANAGER:			
Salaries and wages	-	7,377	-
Payroll taxes	-	734	-
Employee benefits	-	62	-
Dues and schooling	-	149	-
Insurance and bonds	-	364	-
Total	8,701	8,686	15
CLERK:			
Salaries and wages	-	12,485	-
Payroll taxes	-	1,522	-
Employee benefits	-	203	-
Dues and schooling	-	728	-
Insurance and bonds	-	469	-
Office supplies	-	344	-
Publishing, printing and postage	-	221	-
Total	15,902	15,972	(70)
TREASURER:			
Salaries and wages	-	7,066	-
Payroll taxes	-	827	-
Employee benefits	-	66	-
Dues and schooling	-	131	-
Insurance and bonds	-	968	-
Miscellaneous	-	68	-
Total	9,170	9,126	44

VILLAGE OF SPRINGPORT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 29, 2004

	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL GOVERNMENT: (Continued)			
VILLAGE HALL AND GROUNDS:			
Salaries and wages	-	15,908	-
Payroll taxes	-	1,815	-
Employee benefits	-	4,674	-
Repairs and maintenance	-	1,815	-
Fire hydrant rental	-	8,701	-
Insurance and bonds	-	765	-
Professional fees	-	9,225	-
Publishing, printing and postage	-	1,774	-
Refuse removal	-	742	-
Miscellaneous	-	2,519	-
Utilities	-	4,615	-
Rent	-	9,000	-
Supplies	-	4,185	-
Total	88,188	65,738	22,450
Total general government	121,961	99,522	22,439
CONTRACTUAL:			
Public Safety	18,475	20,521	(2,046)
Public Works	9,697	10,517	(820)
Community and Economic Development	190	190	-
Other	11,941	18,429	(6,488)
Total	40,303	49,657	(9,354)
Total expenditures	171,125	158,081	13,044
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11,000	31,057	20,057
OTHER FINANCING SOURCES (USES) OPERATING TRANSFERS (OUT)	(11,000)	(11,000)	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	-	20,057	20,057
FUND BALANCE - Beginning of year	128,068	128,068	-
FUND BALANCE - End of year	<u>\$ 128,068</u>	<u>\$ 148,125</u>	<u>\$ 20,057</u>

VILLAGE OF SPRINGPORT
SPECIAL REVENUE FUNDS
BALANCE SHEET
FEBRUARY 29, 2004

	MAJOR STREET	LOCAL STREET	CEMETERY TRUST	CEMETERY OPERATIONS	TOTAL
ASSETS					
Cash and cash equivalents	\$ 113,098	\$ 20,390	\$ 33,999	\$ 7,001	\$ 174,488
Accounts receivable -					
State revenue	3,765	1,105	-	-	4,870
Property taxes	-	-	-	652	652
Due from other funds	684	-	-	-	684
Total assets	<u>\$ 117,547</u>	<u>\$ 21,495</u>	<u>\$ 33,999</u>	<u>\$ 7,653</u>	<u>\$ 180,694</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES -					
Accounts payable	\$ 487	\$ 325	\$ -	\$ 197	\$ 1,009
Accrued payroll	188	128	-	-	316
Due to other funds	491	846	-	97	1,434
Total liabilities	<u>1,166</u>	<u>1,299</u>	<u>-</u>	<u>294</u>	<u>2,759</u>
FUND BALANCE -					
Unreserved and undesignated	<u>116,381</u>	<u>20,196</u>	<u>33,999</u>	<u>7,359</u>	<u>177,935</u>
Total liabilities and fund balance	<u>\$ 117,547</u>	<u>\$ 21,495</u>	<u>\$ 33,999</u>	<u>\$ 7,653</u>	<u>\$ 180,694</u>

VILLAGE OF SPRINGPORT
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED FEBRUARY 29, 2004

	MAJOR STREET	LOCAL STREET	CEMETERY TRUST	CEMETERY OPERATIONS	TOTAL
REVENUES:					
Current property taxes	\$ -	\$ -	\$ -	\$ 6,522	\$ 6,522
State revenue	36,132	10,577	-	-	46,709
Interest income	370	82	498	42	992
Sale of lots	-	-	1,750	1,750	3,500
Grave openings	-	-	-	4,785	4,785
Other	-	-	-	400	400
Total revenues	<u>36,502</u>	<u>10,659</u>	<u>2,248</u>	<u>13,499</u>	<u>62,908</u>
EXPENDITURES:					
Current:					
Salaries and wages	8,052	6,099	-	2,963	17,114
Payroll taxes	936	706	-	235	1,877
Employee benefits	1,355	934	-	683	2,972
Contracted services	1,283	733	-	9,513	11,529
Repairs and maintenance	3,503	2,021	-	1,073	6,597
Public utilities	-	-	-	408	408
Insurance	505	196	-	127	828
Equipment rental	7,186	3,405	-	4,671	15,262
Printing and publishing	-	-	-	174	174
Supplies	164	123	-	8	295
Miscellaneous	886	370	-	115	1,371
Total expenditures	<u>23,870</u>	<u>14,587</u>	<u>-</u>	<u>19,970</u>	<u>58,427</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>12,632</u>	<u>(3,928)</u>	<u>2,248</u>	<u>(6,471)</u>	<u>4,481</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	-	-	10,322	10,322
Operating transfers (out)	-	-	(322)	-	(322)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(322)</u>	<u>10,322</u>	<u>10,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>12,632</u>	<u>(3,928)</u>	<u>1,926</u>	<u>3,851</u>	<u>14,481</u>
FUND BALANCE - Beginning of year	<u>103,749</u>	<u>24,124</u>	<u>32,073</u>	<u>3,508</u>	<u>163,454</u>
FUND BALANCE - End of year	<u>\$ 116,381</u>	<u>\$ 20,196</u>	<u>\$ 33,999</u>	<u>\$ 7,359</u>	<u>\$ 177,935</u>

VILLAGE OF SPRINGPORT
MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 29, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
State revenue	\$ 38,863	\$ 36,132	\$ (2,731)
Interest income	370	370	-
Total revenues	<u>39,233</u>	<u>36,502</u>	<u>(2,731)</u>
EXPENDITURES:			
Current:			
Salaries and wages	8,177	8,052	125
Payroll taxes	805	936	(131)
Employee benefits	<u>1,355</u>	<u>1,355</u>	-
Contracted services	1,283	1,283	-
Repairs and maintenance	3,499	3,503	(4)
Insurance	35	505	(470)
Equipment rental	7,186	7,186	-
Supplies	164	164	-
Miscellaneous	887	886	1
Total expenditures	<u>23,391</u>	<u>23,870</u>	<u>(479)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	15,842	12,632	(3,210)
FUND BALANCE - Beginning of year	<u>103,749</u>	<u>103,749</u>	-
FUND BALANCE - End of year	<u>\$ 119,591</u>	<u>\$ 116,381</u>	<u>\$ (3,210)</u>

VILLAGE OF SPRINGPORT
LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 29, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
State revenue	\$ 11,371	\$ 10,577	\$ (794)
Interest income	82	82	-
Total revenues	<u>11,453</u>	<u>10,659</u>	<u>(794)</u>
EXPENDITURES:			
Current:			
Salaries and wages	6,153	6,099	54
Payroll taxes	706	706	-
Employee benefits	934	934	-
Contracted services	733	733	-
Repairs and maintenance	1,860	2,021	(161)
Insurance	35	196	(161)
Equipment rental	3,405	3,405	-
Supplies	124	123	1
Miscellaneous	370	370	-
Total expenditures	<u>14,320</u>	<u>14,587</u>	<u>(267)</u>
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	(2,867)	(3,928)	(1,061)
FUND BALANCE - Beginning of year	<u>24,124</u>	<u>24,124</u>	<u>-</u>
FUND BALANCE - End of year	<u>\$ 21,257</u>	<u>\$ 20,196</u>	<u>\$ (1,061)</u>

VILLAGE OF SPRINGPORT
CEMETERY TRUST FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 29, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Sale of lots	\$ 1,750	\$ 1,750	\$ -
Interest	321	498	177
Total revenues	<u>2,071</u>	<u>2,248</u>	<u>177</u>
EXPENDITURES:			
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,071	2,248	177
OTHER FINANCING SOURCES (USES) OPERATING TRANSFERS OUT	<u>(322)</u>	<u>(322)</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	1,749	1,926	177
FUND BALANCE - Beginning of year	<u>32,073</u>	<u>32,073</u>	<u>-</u>
FUND BALANCE - End of year	<u>\$ 33,822</u>	<u>\$ 33,999</u>	<u>\$ 177</u>

VILLAGE OF SPRINGPORT
CEMETERY OPERATIONS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 29, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Current property taxes	\$ 5,875	\$ 6,522	\$ 647
Lot sales	1,750	1,750	-
Grave openings	4,785	4,785	-
Interest on investments	7	42	35
Other	400	400	-
Total revenues	<u>12,817</u>	<u>13,499</u>	<u>682</u>
EXPENDITURES:			
Salaries and wages	2,978	2,963	15
Payroll taxes	235	235	-
Employee benefits	683	683	-
Contracted services	9,513	9,513	-
Repairs and maintenance	1,073	1,073	-
Utilities	432	408	24
Supplies	8	8	-
Insurance	30	127	(97)
Printing and publishing	201	174	27
Equipment rental	4,671	4,671	-
Miscellaneous	115	115	-
Total expenditures	<u>19,939</u>	<u>19,970</u>	<u>(31)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,122)	(6,471)	651
OTHER FINANCING SOURCES (USES) OPERATING TRANSFERS IN	10,322	10,322	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	3,200	3,851	651
FUND BALANCE - Beginning of year	3,508	3,508	-
FUND BALANCE - End of year	\$ 6,708	\$ 7,359	\$ 651

VILLAGE OF SPRINGPORT
CAPITAL PROJECTS FUND
CAPITAL IMPROVEMENT FUND
BALANCE SHEET
FEBRUARY 29, 2004

ASSETS

Cash and cash equivalents	\$ 5,181
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FUND BALANCE

Fund balance	\$ 5,181
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VILLAGE OF SPRINGPORT
CAPITAL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 29, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Interest income	\$ 5	\$ 5	\$ -
Total revenues	<u>5</u>	<u>5</u>	<u>-</u>
EXPENDITURES:			
Miscellaneous	5	4	1
Total expenditures	<u>5</u>	<u>4</u>	<u>1</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	1	1
OTHER FINANCING SOURCES (USES)			
OPERATING TRANSFERS IN	<u>1,000</u>	<u>1,000</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	1,000	1,001	1
FUND BALANCE - Beginning of year	<u>4,180</u>	<u>4,180</u>	<u>-</u>
FUND BALANCE - End of year	<u>\$ 5,180</u>	<u>\$ 5,181</u>	<u>\$ 1</u>

ENTERPRISE FUNDS

VILLAGE OF SPRINGPORT
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
FEBRUARY 29, 2004

	WASTE WATER DISPOSAL	WATER SUPPLY SYSTEM	TOTAL
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 29,833	\$ 11,949	\$ 41,782
Accounts receivable	19,402	15,519	34,921
Due from other funds	-	11,675	11,675
Total current assets	49,235	39,143	88,378
PROPERTY AND EQUIPMENT			
Less - Accumulated depreciation	2,008,942	537,698	2,546,640
Net property and equipment	461,025	229,237	690,262
	1,547,917	308,461	1,856,378
OTHER ASSETS:			
Unamortized bond issuance costs	11,950	13,002	24,952
Total assets	<u><u>\$ 1,609,102</u></u>	<u><u>\$ 360,606</u></u>	<u><u>\$ 1,969,708</u></u>
LIABILITIES AND FUND EQUITY			
CURRENT LIABILITIES:			
Accounts payable	\$ 8,186	\$ 236,770	\$ 244,956
Accrued interest	9,604	-	9,604
Accrued payroll	235	624	859
Due to other funds	56,218	1,033	57,251
Bonds payable - Amount due within one year	48,138	-	48,138
Total current liabilities	122,381	238,427	360,808
LONG-TERM LIABILITY:			
Bonds payable - Amount due after one year	695,274	-	695,274
FUND EQUITY:			
Retained earnings:			
Unreserved	791,447	122,179	913,626
Total fund equity	791,447	122,179	913,626
Total liabilities and fund equity	<u><u>\$ 1,609,102</u></u>	<u><u>\$ 360,606</u></u>	<u><u>\$ 1,969,708</u></u>

VILLAGE OF SPRINGPORT
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN RETAINED EARNINGS
FEBRUARY 29, 2004

	WASTE WATER DISPOSAL	WATER SUPPLY SYSTEM	TOTAL
OPERATING REVENUES:			
Monthly billings	\$ 118,758	\$ 119,754	\$ 238,512
Interest and penalties	1,997	1,504	3,501
Connection fees	-	40	40
Total operating revenues	<u>120,755</u>	<u>121,298</u>	<u>242,053</u>
OPERATING EXPENDITURES:			
Administration	8,407	12,941	21,348
Operation and maintenance	119,676	100,486	220,162
Total operating expenditures	<u>128,083</u>	<u>113,427</u>	<u>241,510</u>
OPERATING INCOME (LOSS)	<u>(7,328)</u>	<u>7,871</u>	<u>543</u>
NON-OPERATING REVENUES (EXPENSES):			
Tax assessments	47,967	-	47,967
Interest on investments	62	96	158
Amortization of bond issue cost	(747)	-	(747)
Interest on bonds	(25,799)	(416)	(26,215)
Other income	3,398	46	3,444
Total non-operating revenues (expenses)	<u>24,881</u>	<u>(274)</u>	<u>24,607</u>
NET INCOME	17,553	7,597	25,150
RETAINED EARNINGS - Beginning of year	<u>773,894</u>	<u>114,582</u>	<u>888,476</u>
RETAINED EARNINGS - End of year	<u><u>\$ 791,447</u></u>	<u><u>\$ 122,179</u></u>	<u><u>\$ 913,626</u></u>

VILLAGE OF SPRINGPORT
ENTERPRISE FUNDS
COMBINING STATEMENT OF OPERATING EXPENDITURES
YEAR ENDED FEBRUARY 29, 2004

	WASTE WATER DISPOSAL	WATER SUPPLY SYSTEM	TOTAL
ADMINISTRATION:			
Office supplies	\$ 1,203	\$ 1,357	\$ 2,560
Professional fees	3,927	6,236	10,163
Postage	645	607	1,252
Insurance and bonds	2,632	4,275	6,907
Membership and dues	-	466	466
Total administration	<u>8,407</u>	<u>12,941</u>	<u>21,348</u>
OPERATIONS AND MAINTENANCE:			
Salaries and wages	25,325	41,495	66,820
Payroll taxes	2,941	4,649	7,590
Employee benefits	4,310	8,817	13,127
Uniforms	938	938	1,876
Public utilities	13,644	12,005	25,649
Continuing education	-	835	835
Depreciation	40,895	11,092	51,987
Repairs and maintenance	5,209	2,145	7,354
Lab fees	12,110	1,323	13,433
Operating supplies	332	2,479	2,811
Equipment rent	9,530	13,215	22,745
Miscellaneous	4,442	1,493	5,935
Total operations and maintenance	<u>119,676</u>	<u>100,486</u>	<u>220,162</u>
Total operating expenditures	<u><u>\$ 128,083</u></u>	<u><u>\$ 113,427</u></u>	<u><u>\$ 241,510</u></u>

VILLAGE OF SPRINGPORT
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED FEBRUARY 29, 2004

	WASTE WATER DISPOSAL	WATER SUPPLY SYSTEM	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ (7,328)	\$ 7,871	\$ 543
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	40,895	11,092	51,987
Changes in assets and liabilities:			
(Increase)/Decrease in:			
Accounts/taxes receivable	(3,030)	(1,689)	(4,719)
Due from other funds	1,554	-	1,554
(Decrease)/Increase in:			
Accounts payable	(36,436)	235,422	198,986
Accrued interest	(643)	(117)	(760)
Accrued expenses	(560)	(862)	(1,422)
Due to other funds	40,948	(3,793)	37,155
Total adjustments	42,728	240,053	282,781
Net cash provided by operating activities	35,400	247,924	283,324
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES -			
Capital acquisitions	-	(253,669)	(253,669)
Collection of tax assessments	47,967	-	47,967
Other income	3,398	46	3,444
Principal and interest paid on long-term debt	(68,936)	(14,416)	(83,352)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(17,571)	(268,039)	(285,610)
CASH FLOWS FROM INVESTING ACTIVITIES -			
Interest on investments	62	96	158
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,891	(20,019)	(2,128)
CASH AND CASH EQUIVALENTS - Beginning of year	11,942	31,968	43,910
CASH AND CASH EQUIVALENTS - End of year	\$ 29,833	\$ 11,949	\$ 41,782

INTERNAL SERVICE FUND

VILLAGE OF SPRINGPORT
EQUIPMENT INTERNAL SERVICE FUND
BALANCE SHEET
FEBRUARY 29, 2004

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 6,161
Due from other funds	59
	<u>6,220</u>

EQUIPMENT

Less - Accumulated depreciation	297,225
Net equipment	<u>(230,435)</u>
	<u>66,790</u>

Total assets	<u><u>\$ 73,010</u></u>
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LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 1,150
Accrued payroll	276
Due to other funds	5,766
Notes payable - Short-term	10,389
Total liabilities	<u>17,581</u>

LONG-TERM LIABILITIES:

Notes payable - Long-term	<u>18,158</u>
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FUND EQUITY -

Retained earnings	<u>37,271</u>
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Total liabilities and fund equity	<u><u>\$ 73,010</u></u>
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VILLAGE OF SPRINGPORT
EQUIPMENT INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN RETAINED EARNING
YEAR ENDED FEBRUARY 29, 2004

OPERATING REVENUES:	
Charges for services	\$ <u>61,314</u>
OPERATING EXPENSES:	
Salaries and wages	9,855
Payroll taxes	969
Employee benefits	2,418
Professional fees	885
Interest	2,020
Operating supplies	2,220
Office supplies	32
Gas and oil	7,972
Repairs and maintenance	9,750
Service contracts	963
Insurance	3,462
Miscellaneous	482
Depreciation	26,495
Total operating expenses	<u>67,523</u>
OPERATING INCOME (LOSS)	(6,209)
NON-OPERATING REVENUES (EXPENSES):	
Interest income	12
Other income	2,549
Total non-operating revenues	<u>2,561</u>
NET INCOME (LOSS)	(3,648)
RETAINED EARNINGS - Beginning of year	<u>40,919</u>
RETAINED EARNINGS - End of year	<u><u>\$ 37,271</u></u>

VILLAGE OF SPRINGPORT
EQUIPMENT INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED FEBRUARY 29, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating income (loss)	\$ (6,209)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	26,495
Changes in assets and liabilities:	
(Decrease)/Increase in -	
Accounts payable and accrued expenses	(749)
Due to other funds	(3,363)
Total adjustments	22,383
Net cash provided by operating activities	16,174

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES:**

Principle payments on capital lease	(14,530)
Acquisition of capital assets	-
Net cash used by financing activities	(14,530)

CASH FLOWS FROM INVESTING ACTIVITIES -

Non-operating revenues	2,561
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**NET INCREASE (DECREASE) IN CASH AND CASH
EQUIVALENTS**

4,205

CASH AND CASH EQUIVALENTS - Beginning of year

1,956

CASH AND CASH EQUIVALENTS - End of year

\$ 6,161

AGENCY FIDUCIARY FUNDS

VILLAGE OF SPRINGPORT
FIDUCIARY FUNDS
PAYROLL FUND
BALANCE SHEET
FEBRUARY 29, 2004

ASSETS

ASSETS:

Cash and cash equivalents	\$ 6,996
Due from other funds	<u>2,507</u>
Total assets	<u><u>9,503</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES:

Accrued payroll taxes	\$ (53)
Due to other funds	9,057
Due to other agencies	<u>499</u>
Total liabilities	<u>9,503</u>

FUND BALANCE:

Designated	-
Unreserved	<u>-</u>
Total fund balance	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 9,503</u></u>

VILLAGE OF SPRINGPORT
SCHEDULE OF INDEBTEDNESS
YEAR ENDED FEBRUARY 29, 2004

<u>DESCRIPTION/DATES OF MATURITY</u>	<u>TOTAL BONDS ISSUED</u>	<u>DATE OF ISSUE</u>	<u>INTEREST RATE</u>	<u>OUTSTANDING BALANCE FEBRUARY 29, 2004</u>
REVENUE BONDS:				
Waste Water Disposal System - November 1, 1990-2009	\$ 300,000	1990	5.9-7.15%	140,000
Waste Water Disposal System - April 1, 2001-2020	\$ 689,687	1999	2.50%	603,412
CAPITAL LEASES:				
Village Copier October 31, 2001-2005	\$ 5,063	2001	9.00%	2,114
Komatsu Backhoe October 1, 2001	\$ 48,395	2001	4.75%	26,433
				<u>\$ 771,959</u>

DEBT SERVICE REQUIREMENTS - FISCAL YEAR ENDED

2004		2005		2006-2020	
PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
20,000	9,955	20,000	8,545	100,000	17,838
28,138	14,734	28,138	14,030	547,136	108,883
1,378	134	736	19	-	-
9,011	974	10,287	605	7,135	128
<u>\$ 58,527</u>	<u>\$ 25,797</u>	<u>\$ 59,161</u>	<u>\$ 23,199</u>	<u>\$ 654,271</u>	<u>\$ 126,849</u>

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTS
ESTATE PLANNING COUNCIL
OF SOUTH CENTRAL MICHIGAN

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Village Council
Village of Springport

We have audited the general purpose financial statements of the Village of Springport as of and for the year ended February 29, 2004, and have issued our report thereon dated June 28, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

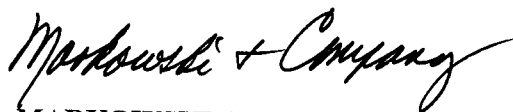
As part of obtaining reasonable assurance about whether the Village of Springport's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Springport's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village of Springport, in a separate accounting memo.

To the Village Council
Village of Springport
Page Two

This report is intended solely for the information and use of the audit committee, management, others within the organization, Village and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



MARKOWSKI & COMPANY CPAs

June 28, 2004

MARKOWSKI & COMPANY

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OF SOUTH CENTRAL MICHIGAN

Village Council
Village of Springport

We have audited the general purpose financial statements of Village of Springport for the year ended February 29, 2004, and have issued our report thereon dated June 28, 2004. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated May 26, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Village of Springport. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Village of Springport are described in Note B to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Village of Springport during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Village of Springport that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on Village of Springport's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village of Springport's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit. We did, however, discover some items which we believe warrant the Council's attention. These items are discussed in the attached memorandum of comments and recommendations. We were very pleased with the cooperation of the administrative staff. The financial accounting showed significant improvement during the current year.

This information is intended solely for the use of the Village Council and management of the Village of Springport and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



MARKOWSKI & COMPANY CPAs

June 28, 2004

**VILLAGE OF SPRINGPORT
ACCOUNTING MEMORANDUM
COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED FEBRUARY 29, 2004**

BUDGETING PROCEDURES

As disclosed in Note C, the Village spent amounts in excess of the approved budget during the year ended February 29, 2004. This is a violation of Public Act 621 of 1978. The Village should prepare budget amendments as necessary to avoid this situation in the future.

SEGREGATION OF DUTIES

Because of the small size of the Village's administrative staff, proper segregation of duties cannot be accomplished. This is an inherent weakness in the internal controls of the Village of Springport. We recommend that members of the Board review bank reconciliations, water and sewer adjustments, adjustments to the General Ledger, and monthly financial reports for unexpected results that should be investigated.

ACCOUNTS RECEIVABLES

The Village invoices customers for water and sewer services. Currently no reconciliation is being prepared to reconcile the billings and receipts to the General Ledger. A reconciliation should be completed on a monthly basis. We recommend that this procedure be started immediately.

ANALYTICAL REVIEW

Part of the accounting process is to review revenues and expenditures and to compare these amounts to prior and budgeted figures. The Village accounting personnel should review the general ledger and investigate amounts that are not consistent with the budget or expectations. This procedure also will help in finding mis-posted items and in the correction of them. The Village should be able to provide support behind all accounts on the balance sheet. Cash should tie out to reconciliations, receivables should tie out to aging reports, etc.

CASH ACCOUNTS

Currently, many of the funds share a single bank account. Cash is recorded separately in each fund, but share a single account. This seems to cause the accounting staff difficulties in reconciling the bank accounts between the separate funds and a single total. We recommend that separate accounts be opened for each individual fund. This would help in the cash reconciliation efforts by simplifying the bank reconciliation process.

INTERFUND TRANSACTIONS

Many of the funds interact with each other, the payroll fund handles the payroll process for each of the funds and then is reimbursed by those funds for their share of the payroll expenditures. Inter-fund receivables are used when funds interact. When a receivable is set up in one fund, it must be accompanied by a payable in another fund. This is not being done on a consistent basis within the Village. We recommend that efforts be made to make sure that separate funds mirror each other when inter-fund transactions take place. The inter-fund receivables should be reconciled on a monthly basis to ensure proper inter-fund postings.

TAXES RECEIVABLES

The Village levies taxes on property. The Village needs to reconcile amounts collected to correct postings of revenues and receivables in the general ledger. The financial records need to reflect the proper receivable balances in each fund that collect property taxes. The general ledger should be reconciled to the tax collection software on an ongoing basis.

**VILLAGE OF SPRINGPORT
ACCOUNTING MEMORANDUM
COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED FEBRUARY 29, 2004**

PAYROLL TAX REPORTING

During our audit, we found that the incorrect amounts were being remitted to the proper government agency. We discussed these findings with the accounting department to rectify this situation. We recommend that close attention be paid to the amounts being remitted of payroll tax amounts.